Council Meeting Date: June 2, 2003 **Agenda Item: 6(a)**

CITY COUNCIL AGENDA ITEM

CITY OF SHORELINE, WASHINGTON

AGENDA TITLE:	2003 First Quarter Financial Report
DEPARTMENT:	Finance
PRESENTED BY:	Debbie Tarry, Finance Director

PROBLEM/ISSUE STATEMENT:

Attached is the 2003 first quarter financial report. This report summarizes first quarter financial activities for all City funds. It is provided to keep the Council informed of the financial issues and the financial position of the City. The Executive Summary section of the report provides a high level overview. More detailed information on specific revenue and expenditures is provided following the Executive Summary.

FINANCIAL IMPACT:

The following table provides a summary of the financial results for all City funds for the first quarter of 2003:

	Revenues				Expenditures			
Operating Funds	2003 Budget	1st Qtr Projected	1st Qtr Actuals	Variance Actuals v. Projected	2003 Budget	1st Qtr Projected	1st Qtr Actuals	Variance Actuals v. Projected
General Fund	$26,626,418	$3,279,082	$3,405,591	$126,509	$26,626,418	$4,852,420	$4,747,970	-$104,450
Streets	$2,967,040	$639,230	$660,502	$21,272	$2,967,040	$583,859	$717,110	$133,251
Surface Water Operations	$2,910,882	$118,134	$124,322	$6,188	$2,910,882	$594,766	$598,564	-$3,798
Development Services	$1,859,545	$402,797	$388,430	-$14,367	$1,859,545	$438,734	$427,396	-$11,338

RECOMMENDATION

No action is required by the Council. This item is provided for informational purposes.

Approved By: City Manager City Attorney N/A

ATTACHMENTS

Attachment A – 2003 First Quarter Financial Report

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Attachment A

CITY OF SHORELINE

2003 First Quarter Financial Report

Prepared by the Finance Department

for the

Fiscal Year January 1, 2003 – December 31, 2003

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EXECUTIVE SUMMARY

General Fund

First Quarter 2003 actual revenue collections were $3,405,591, $127,076 or 3.9% above projected first quarter revenue of $3,279,082. Through the first three months of 2003 we expect to receive only 12% of total 2003 revenues and as a result it is too early to project any significant revenue trends. This is due in large part to the many revenue sources that pay on a quarterly basis and none of those payments are received in the first quarter. Namely gambling tax, cable TV franchise, water franchise and some larger telephone providers. Nonetheless it is still encouraging that the City is on the positive side of the revenue picture.

Actual first quarter expenditures were $4,747,970, $104,450 or 2.2% below projections of $4,852,420. Contributing to the 2.2% under expenditure are continued savings in the Jail contract ($31k), Planning and Development Services ($88k) and City Attorney ($53k). At this time 2003 projected expenditures have not been revised, more actual expenditure data is needed before an accurate spending picture can be developed

Development Services Fund

Development Services Fund revenues are slightly behind projected revenue by $14,367 or 3.6%. 2003 first quarter permit activity is actually up by 14.9% compared to 2002, but permit revenue compared to 2002 is down by 5.2%. The increase in Permit activity is a positive sign and ultimately could lead to increasing revenue.

Expenditures are behind projections by $11,338 or 2.6%. We anticipate this trend to continue as Development Services continues to ramp down costs.

Street Fund

Street Fund revenue through the first quarter is ahead of projections by $21,272, due to better than expected ROW fees and Fuel Tax revenue. Also the City received $11,556 in local vehicle license fee revenue generated in 2002 but received in 2003.

Street Fund expenditures are ahead of projections by $133,251, due to quicker than expected purchases of some machinery and equipment. It is anticipated that expenditures in this fund will follow projections for the remainder of the year.

Surface Water Management Fund

Revenues in the Surface Water Management Fund are ahead of projections by $6,188 or 5.2%. This increase is due to slightly higher than expected storm drainage fees, which may be a result of property owners paying their property taxes ahead of schedule.

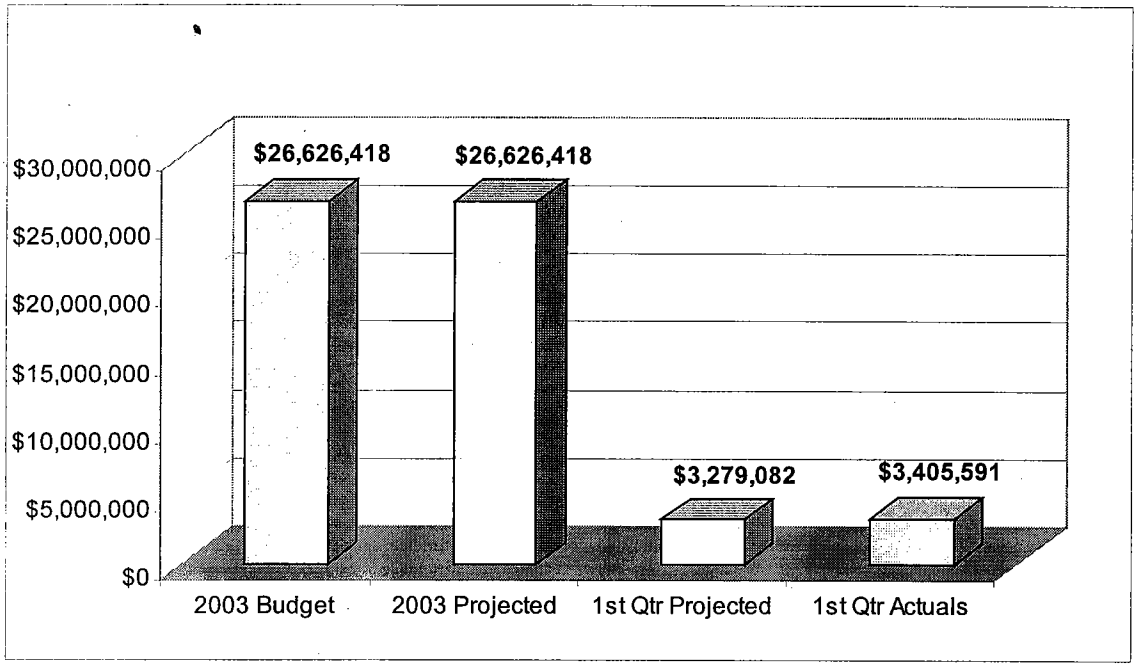
Expenditures are essentially on target running ever so slightly higher than projections by $3,798 or 0.6%.

Summary of Key Operating Funds

The following table provides a summary of the financial results for the key City operating funds for first quarter of 2003. At this time all other funds do not have enough revenue or expenditure activity to warrant any discussion.

	Revenues				Expenditures			
Operating Funds	2003 Budget	1st Qtr Projected	1st Qtr Actuals	Variance Actuals v. Projected	2003 Budget	1st Qtr Projected	1st Qtr Actuals	Variance Actuals v. Projected
General Fund	$26,626,418	$3,272,695	$3,399,771	$127,076	$26,626,418	$4,852,420	$4,747,970	-$104,450
Streets	$2,967,040	$639,230	$660,502	$21,272	$2,967,040	$583,859	$717,110	$133,251
Surface Water Operations	$2,910,882	$118,134	$116,710	$1,424	$2,910,882	$594,766	$598,564	-$3,798
Development Services	$1,859,545	$402,797	$388,430	-$14,367	$1,859,545	$438,734	$427,396	-$11,338

General Fund Revenue



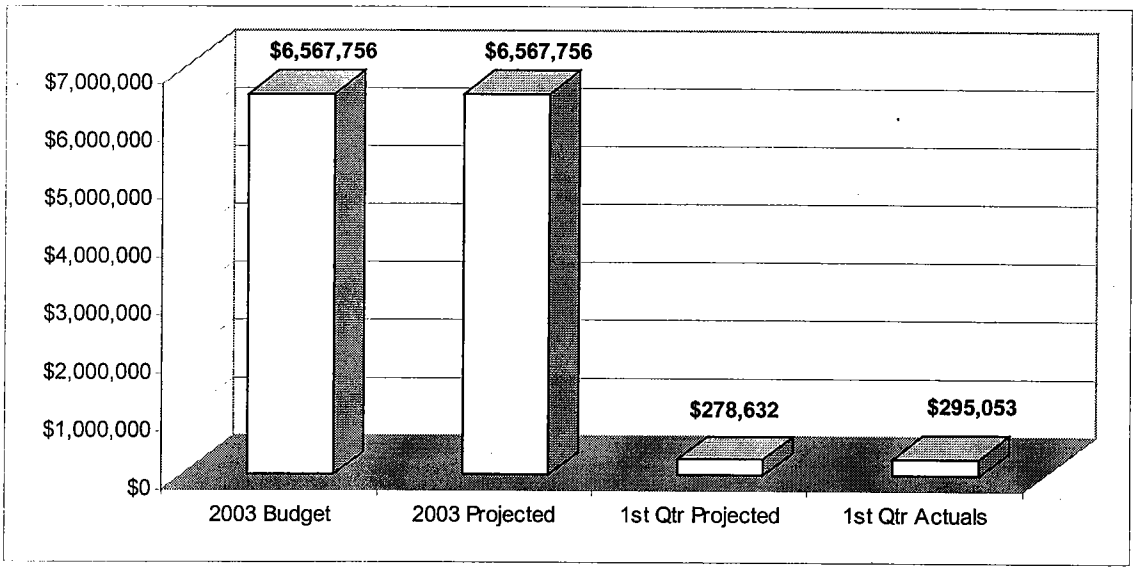
First Quarter 2003 actual revenue collections were $126,509 or 3.9% above projections. This slight increase was due to better than expected revenue in Parks ($32K), state-shared revenue ($42k), sanitation franchise fee ($38k) and Telephone/cell utility tax ($47k). At this time no change is being made to 2003 projected revenue. Even though the first quarter revenue trend is positive it is still too early in the year to forecast this trend into

Historically first quarter collections have accounted for roughly 20% of the City's annual revenue even though 25% of the year has elapsed, for 2003 we are anticipating that only 12% of general fund revenues will be received. As mentioned earlier many revenue accounts receive no collections during the first quarter e.g. gambling tax, franchise fee payments, grants that reimburse the City for approved expenditures (since billing as not yet occurred), and fees from park programs that are offered later in the year. To develop an accurate as possible forecasting system revenue collection trends have been established for each revenue category to determine the expected portion of annual collections for each quarter. The trends are based upon the history of collections within Shoreline and the factoring of variables such as rate changes, economic conditions and usage. This is necessary because many revenues are not collected equally throughout the year.

The chart below details each revenue category for first quarter of 2003. The first column is the adopted 2003 revenue amount. The second column represents the revised projection, if applicable, for each category. The third column displays the projected revenue through the first quarter. The fourth column displays the actual revenues through March. The fifth column shows the variance between first quarter projections and actual collections. The sixth column displays the variance in percentage terms and the last column reflects that revenue source as a percent of General Fund revenues.

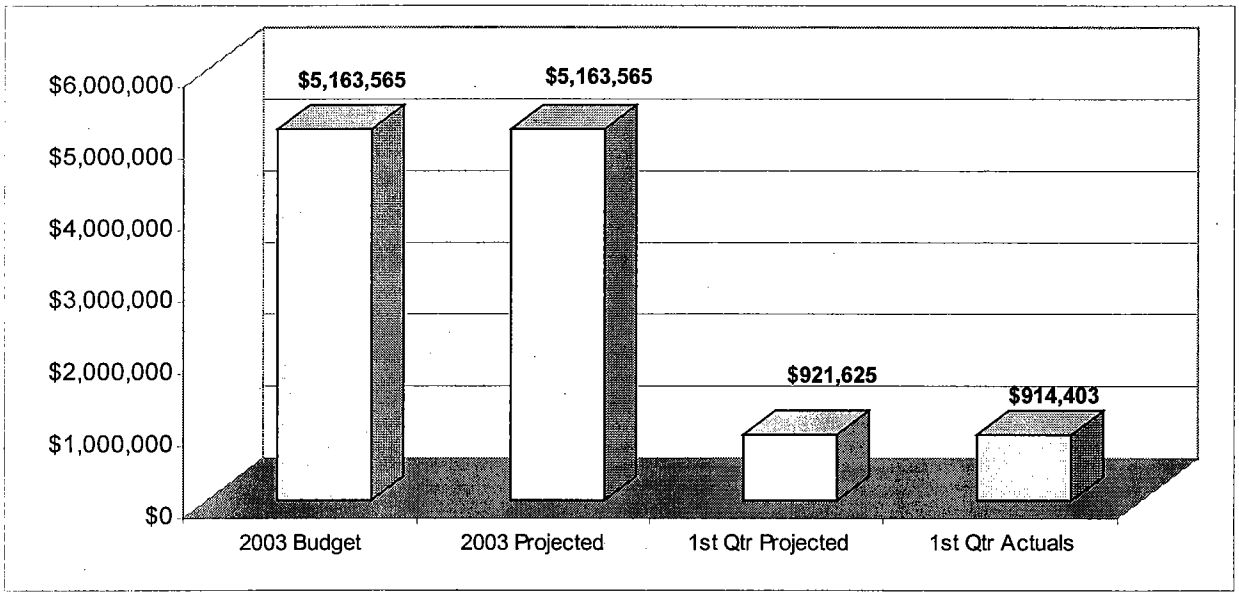
	2003 Budget	2003 Projected	1st Qtr Projected	1st Qtr Actuals	Variance Actuals v. Projected	% Variance
Budgeted Fund Balance	2,288,477	2,288,477	-	-	-	0.0%
Property Tax	6,567,756	6,567,756	278,632	295,053	16,421	5.9%
Sales Tax	5,163,565	5,163,565	921,625	914,403	(7,222)	-0.8%
Criminal Justice Sale Tax	1,000,000	1,000,000	254,384	259,808	5,424	2.1%
Utility Tax/Franchise Fee Category					-	0.0%
Natural Gas Utility Tax	581,685	581,685	151,238	126,813	(24,425)	-16.2%
Sanitation Utility Tax	295,000	295,000	45,408	83,869	38,461	84.7%
Cable TV Utility Tax	80,000	80,000	13,547	12,031	(1,516)	-11.2%
Telephone/Cell Utility Tax	1,320,000	1,320,000	135,960	183,788	47,828	35.2%
Electricity Franchise Fee	1,025,000	1,025,000	220,683	214,809	(5,874)	-2.7%
Water Franchise Fee	450,325	450,325	-	-	-	0.0%
Sewer Franchise Fee	550,000	550,000	137,500	137,500	-	0.0%
Cable TV Franchise Fee	400,000	400,000	-	-	-	0.0%
Utility Tax/Franchise Fee Subtotal	4,702,010	4,702,010	704,336	758,810	54,474	7.7%
Gambling Tax	2,500,000	2,500,000	-	5,065	5,065	0.00%
State Revenue	740,350	740,350	290,697	332,972	42,275	14.54%
Parks & Recreation Revenue	647,987	647,987	144,426	176,435	32,009	22.16%
Fines & Forfeitures	101,000	101,000	18,858	23,273	4,415	23.41%
Grants & Misc. Revenue	754,377	754,377	125,901	99,548	(26,353)	-20.93%
Transfers-In	2,160,896	2,160,896	540,224	540,224	-	0.00%
Total General Fund Revenue	26,626,418	26,626,418	3,279,082	3,405,591	126,509	3.9%

Property Tax Revenue



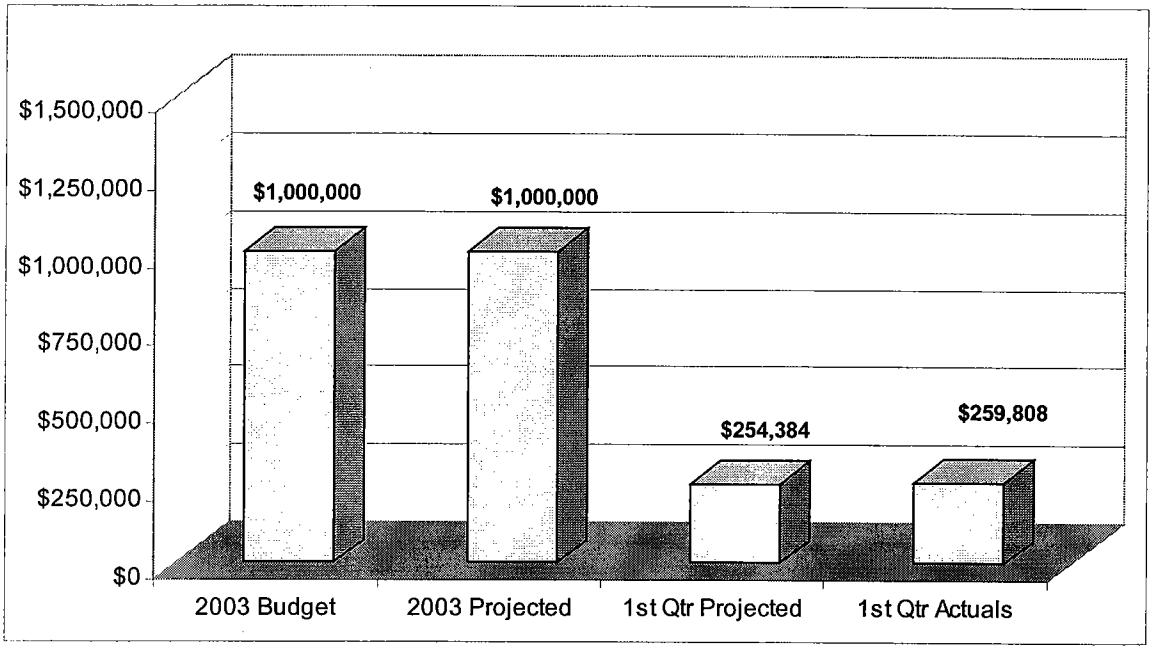
Property tax collections exceeded projections $16,421 or 5.9%. No change has been made in the 2003 projected revenue in this category as the adopted budget for this tax is based upon the property tax levy adopted by Council. Only 98% of the levy is expected to be collected due to an anticipated 2% rate of delinquencies. During the first quarter of each year, the City typically receives only 3% of the annual collections, since the first property tax payment is not due until April 30th.

Sales Tax Revenue



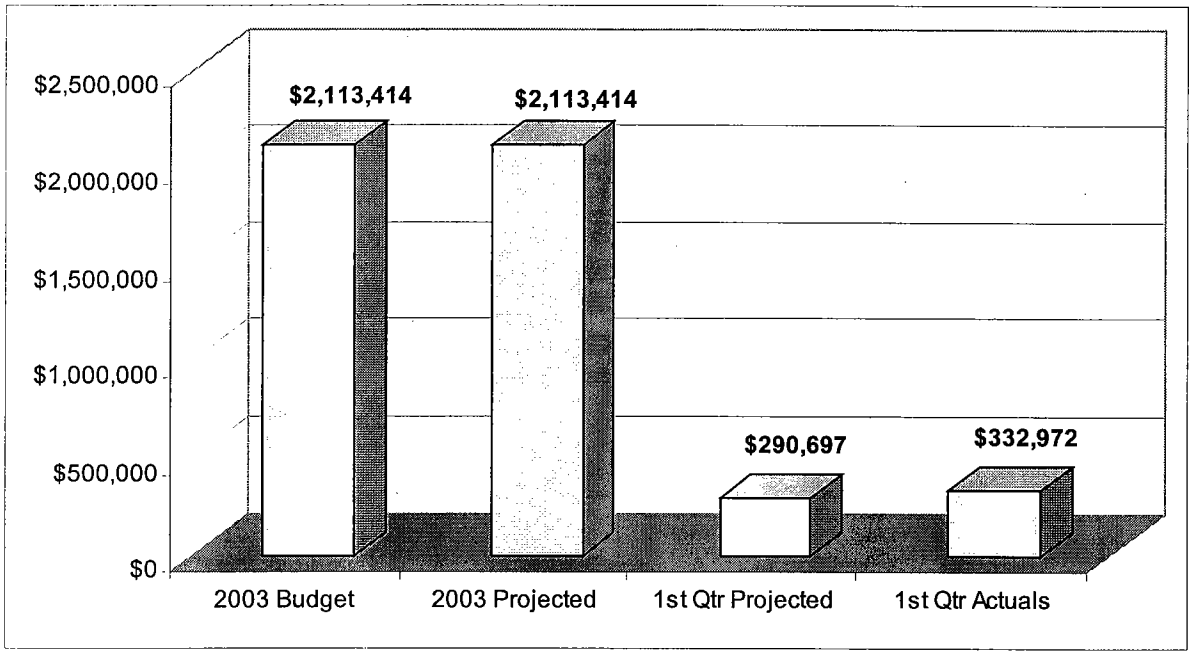
Sales tax collections of $914,403 were slightly below projections of $921,625 by -$7,222 or -0.8%. Revenue received to date represents taxes paid in December and January.

Criminal Justice Sales Tax Revenue



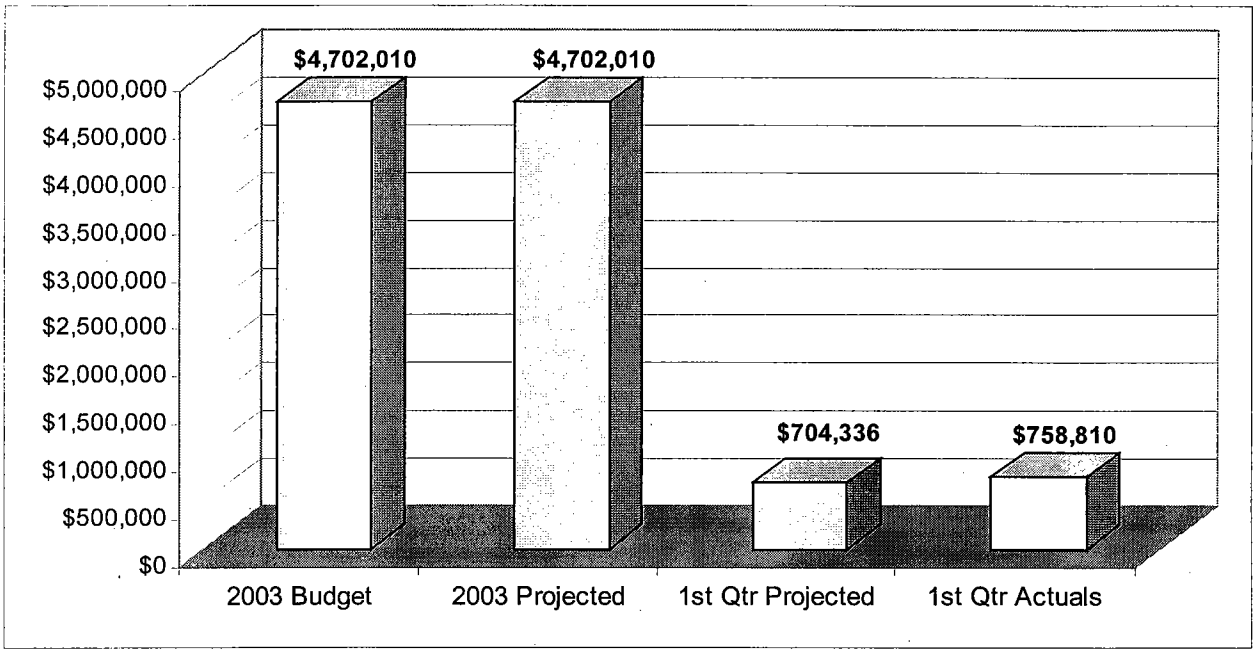
Local Criminal Justice Sales Tax of $259,808 is ahead of projected revenue of $254,384 by $5,424 or 2.1%. This category differs from sales tax because it results from a distribution by the County and is collected on a countywide basis. The distribution amount is based on a city's population and the amount of sales tax collected through all of King County.

State Revenue



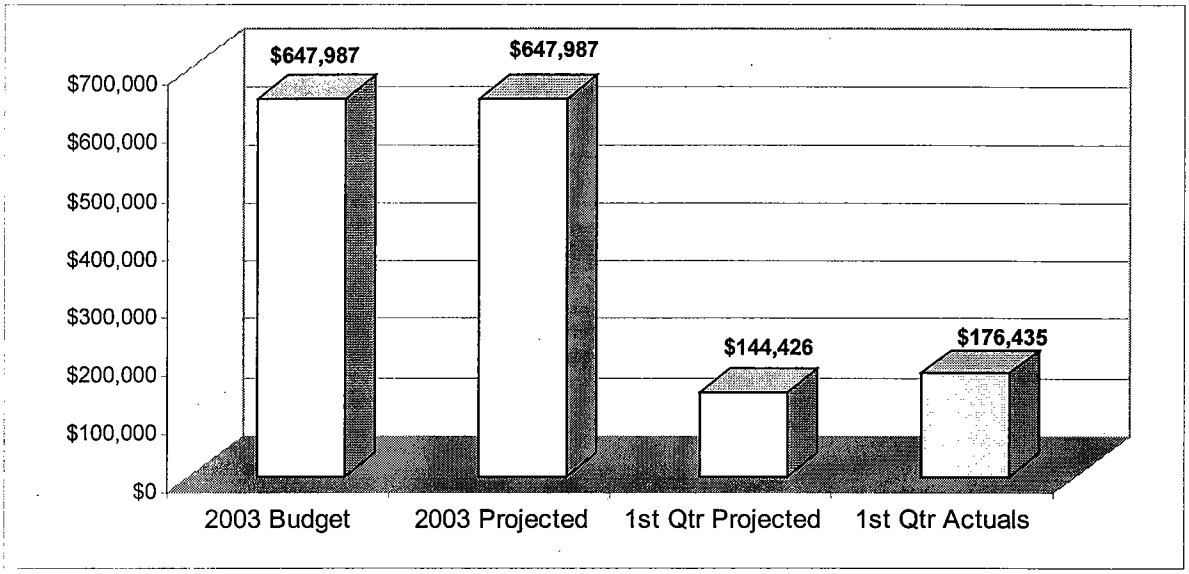
State Revenue of $332,972 exceeded projections of $290,697 by $42,275 or 14.5%. Even though actual revenue exceeded projections it is anticipated that for the year revenues in this category will remain flat.

Utility Tax and Franchise Fee Revenue



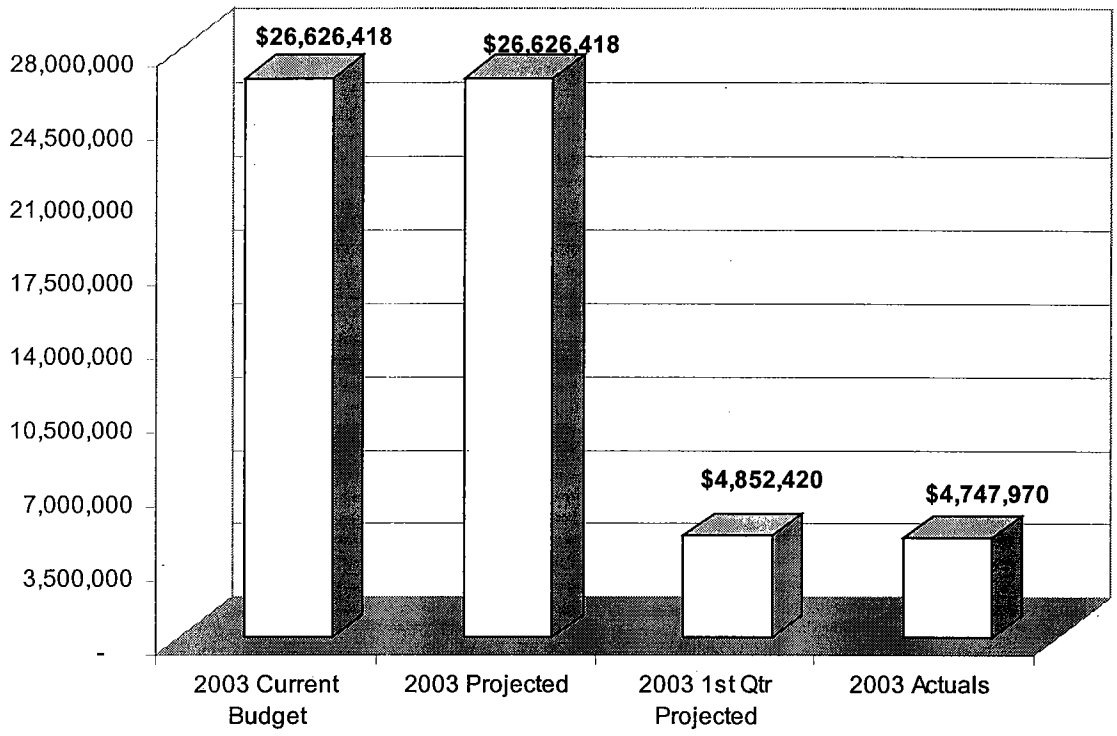
Utility tax and franchise fee revenue of $758,810 exceeded projections of $704,336 by $54,474 or 7.7%. The higher than expected revenue is due too more timely payment form the sanitation utility and higher than expected telephone and cell phone revenue. At this time no change is being made in total projected revenue.

Parks and Recreation Fee Revenue



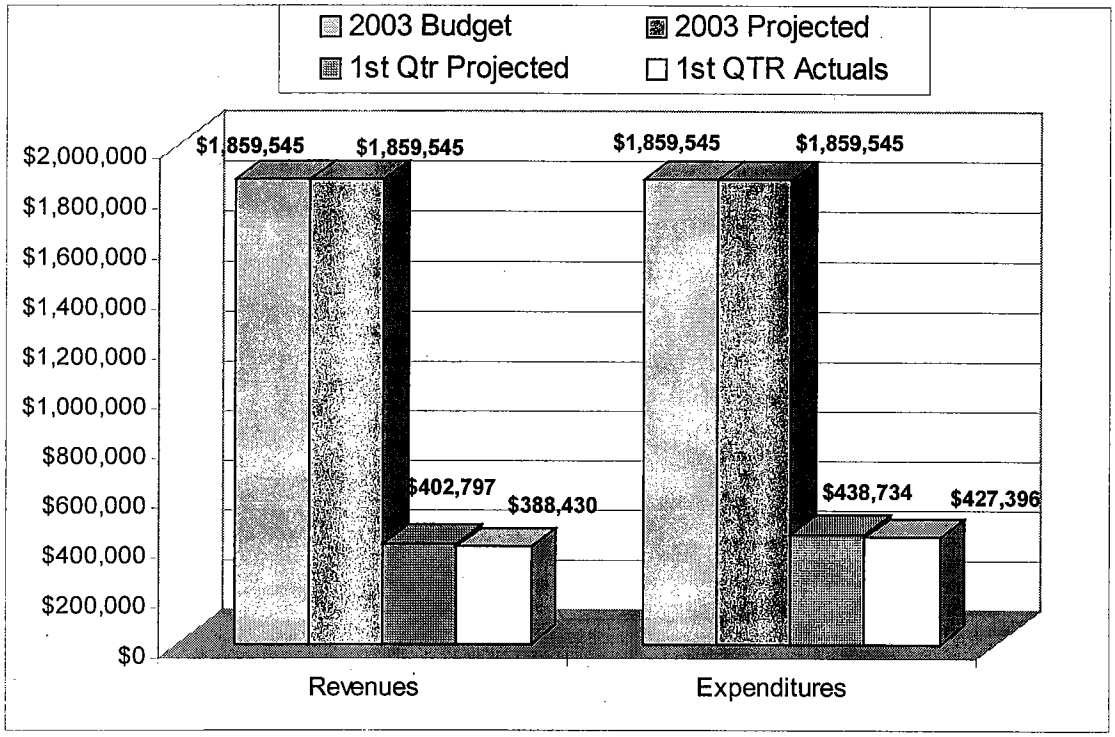
Parks and Recreation Fee revenue of $176,435 was above projections of $144,426 by $32,009 or 22.2%. The primary contributors to this increase were facility rentals ($8k) pool revenues ($6K) and general recreation programs ($17k).

General Fund Expenditures



Departmental expenditures during the first quarter were $4,747,970, under projected expenditures of $4,852,420 by $104,450 or 2.2%. Contributing to the 2.2% under expenditure are continued savings in the Jail contract ($31k), Planning and Development Services ($88k) and City Attorney ($53k). At this time 2003 projected expenditures have not been revised, more actual expenditure data is needed before an accurate spending picture can be developed.

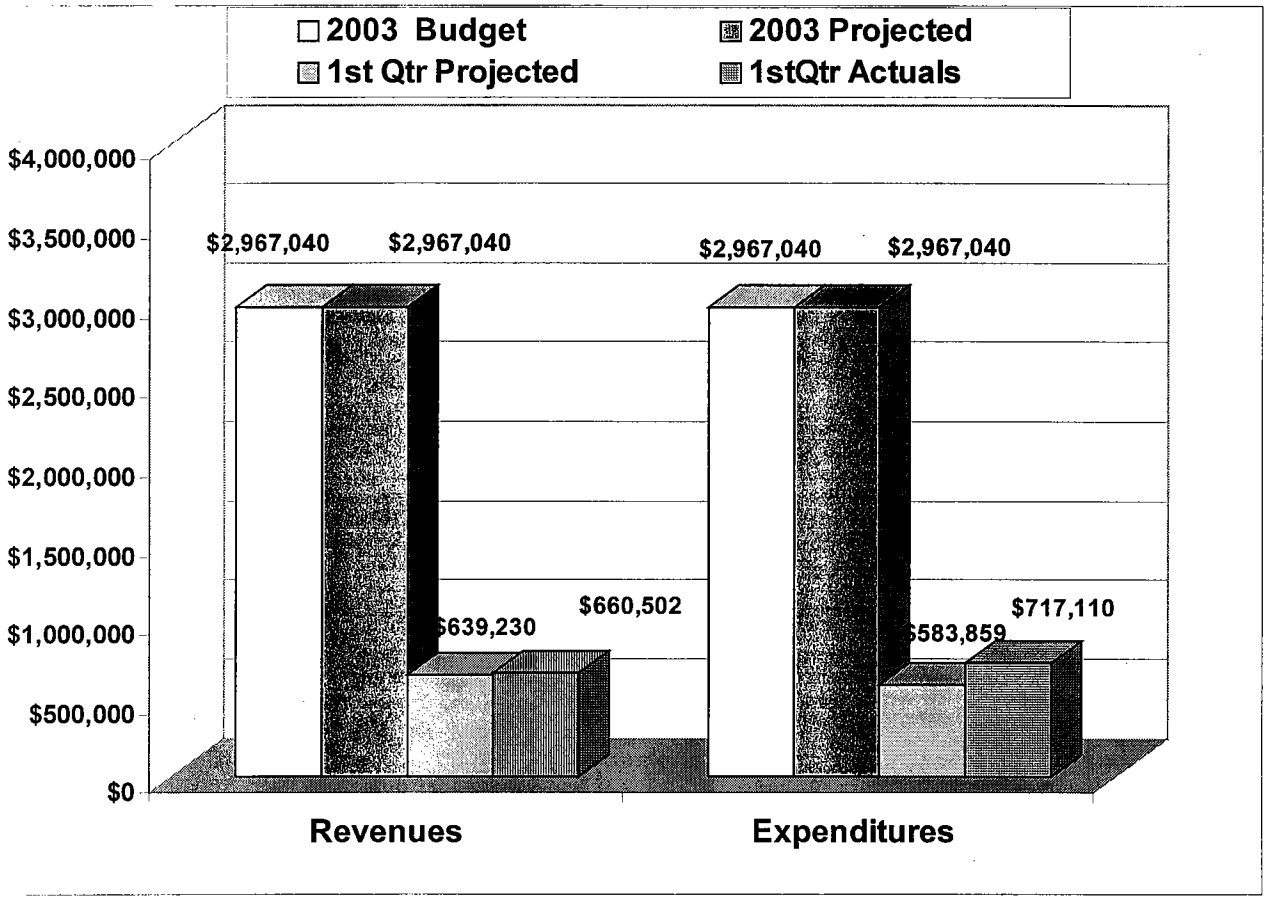
Development Services Fund



After the first quarter of 2003, Development Services Fund revenues are slightly behind projected revenue by $14,367 or 3.6%. 2003 first quarter permit activity is actually up by 14.9% compared to 2002, but permit revenue compared to 2002 is down by 5.2%.

Expenditures are behind projections by $11,338 or 2.6%. We will continue to monitor permit activity and revenue in this fund.

Street Fund



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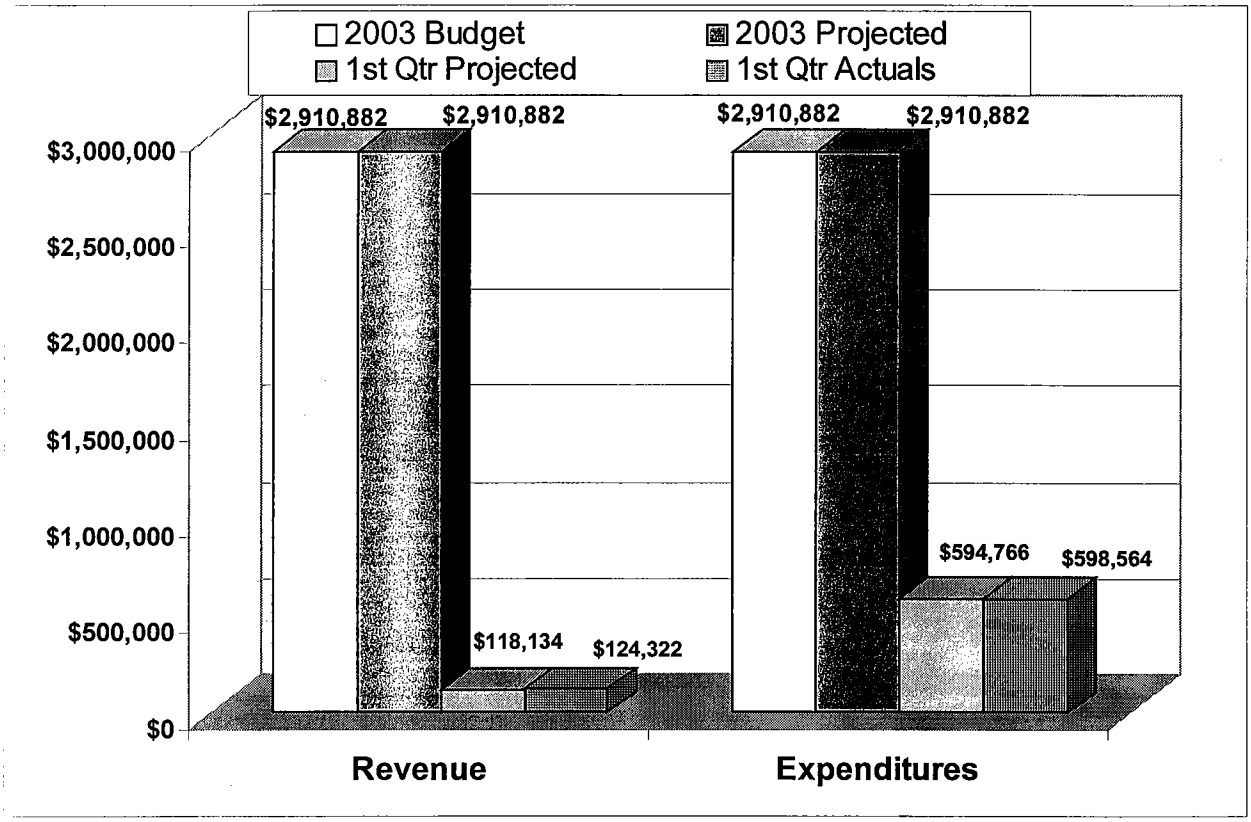
Surface Water Management Fund



Revenues in the Surface Water Management Fund are ahead of projections by $6,188 or 5.2%. This increase is due to slightly higher than expected storm drainage fees.

Expenditures are ever so slightly higher than projections by $3,798 or 0.6%.